

INSPECTIONS AND APPEALS DEPARTMENT[481]

Adopted and Filed Emergency

Pursuant to the authority of Iowa Code section 99B.13 and 2007 Iowa Acts, Senate File 414, the Department of Inspections and Appeals hereby adopts Chapter 106, “Card Game Tournaments by Veterans Organizations,” Iowa Administrative Code.

The chapter provides rules to implement 2007 Iowa Acts, Senate File 414, which provides for the licensure, operation and taxation of card game tournaments by veterans organizations. The chapter includes definitions, standards for licensing, rules for holding card game tournaments, and the procedure for revocation, suspension or denial of a license.

In compliance with Iowa Code section 17A.4(2), the Department finds that notice and public participation are impracticable because the effective date of 2007 Iowa Acts, Senate File 414, is July 1, 2007, and rules are needed in order to begin licensure of card game tournaments.

Furthermore, the Department finds that these rules confer a benefit by allowing veterans organizations to seek licenses for card game tournaments. Therefore, these rules are filed pursuant to Iowa Code section 17A.5(2)“b”(2), and the normal effective date of these rules is waived.

These rules are intended to implement 2007 Iowa Acts, Senate File 414.

These rules are also published herein under Notice of Intended Action as **ARC 6054B** to allow public comment. This emergency filing permits the Department to implement the new provisions of law by the effective date of July 1, 2007.

These rules became effective July 1, 2007.

The following **new** chapter is adopted.

CHAPTER 106

CARD GAME TOURNAMENTS BY VETERANS ORGANIZATIONS

481—106.1(10A,99B) Definitions. For the purposes of this chapter, the following definitions apply:

“Card game” means only poker, pinochle, pitch, gin rummy, bridge, euchre, hearts, or cribbage.

“Card game tournament” or “tournament” means a series of card games held by a licensee during a consecutive period of time of not more than 24 hours and not held as part of an annual game night licensed pursuant to Iowa Code section 99B.8.

“Department” means the department of inspections and appeals.

“Educational, civic, public, charitable, patriotic, or religious use” is as defined in Iowa Code section 99B.7(3), paragraph “b.”

“Licensee” means a qualified organization representing veterans that is licensed to hold card game tournaments.

“Merchandise” means a tangible, usable product which has its own value. A merchandise gift certificate exchangeable only for merchandise is acceptable. Iowa lottery tickets or shares sold pursuant to Iowa Code chapter 99G are merchandise. The value of the ticket or share is the price of the ticket or share as established by the Iowa lottery authority pursuant to Iowa Code chapter 99G.

“Premises” means the space, building or room that is used by a licensee to conduct card game tournaments. All spaces, buildings or rooms that the licensee uses, owns, rents, or controls which are adjacent to the gambling space are included. Any area accessible through a common doorway is part of the gambling location, no matter who uses, owns, rents or controls the area.

“Pyramid” or “build up” means a game in which a prize must be returned in order to play another game or to be eligible for another bigger prize, or a game in which the prize must be forfeited if a later game is lost.

“Qualified organization representing veterans” means any licensed organization representing veterans, which is a post, branch, or chapter of a national association of veterans of the armed forces of the United States which is a federally chartered corporation, dedicates the net receipts of a game of skill, game of chance, or raffle as provided in Iowa Code section 99B.7, is exempt from federal income taxes under Section 501(c)(19) of the Internal Revenue Code as defined in Iowa Code section 422.3, has an active membership of not less than 12 persons, and does not have a self-perpetuating governing body and officers.

“Self-perpetuating governing body” means a governing body in which the members of the governing body are appointed by the governing body itself and are not elected by the membership of the organization. For example, if an organization has a board of directors as the governing body and the board of directors appoints the new or successor members of the board, it is a self-perpetuating governing body.

481—106.2(99B) Licensing. Before any card game tournament may occur, a license application must be approved by the department. Licenses are issued for one year and are called veterans card game tournament licenses.

106.2(1) An applicant shall submit a license application including required documentation and the \$100 license fee. The applicant shall submit the license application at least 30 days in advance of the first event requiring the license.

106.2(2) A license application is available from the Department of Inspections and Appeals, Social and Charitable Gambling Unit, Lucas State Office Building, 321 E. 12th St., Des Moines, Iowa 50319–0083; by calling (515)281–6848; or on line at the department’s Web site: www.dia.iowa.gov.

106.2(3) The license application shall include the following:

a. Documentation which demonstrates that the applicant has held regular meetings of the organization on the premises for the last eight months; and

b. A copy of the Internal Revenue Service determination letter showing the organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(19).

106.2(4) If the license application is incomplete, the license application and license fee shall be returned to the applicant with an explanation of the reason(s) the application was returned.

481—106.3(99B) Card game tournament. Licensees conducting tournaments shall comply with all of the following:

106.3(1) Each card game shall be conducted in a fair and honest manner and shall not be operated on a build–up or pyramid basis.

106.3(2) Every participant in a tournament must be given the same chance of winning the tournament. Second chance entries or multiple entries are prohibited.

106.3(3) The licensee shall conduct each tournament and shall not contract with or permit another person to conduct the tournament or any card game during the tournament.

106.3(4) No person shall receive or have any fixed or contingent right to receive, directly or indirectly, any profit, remuneration, or compensation from or related to a game in a card game tournament, except any amount which the person may win as a participant on the same basis as the other participants.

106.3(5) The licensee shall not hold more than two card game tournaments per month.

106.3(6) The licensee shall not hold a tournament within seven calendar days of another tournament conducted by the licensee.

106.3(7) The licensee shall be allowed to hold only one card game tournament during any period of 24 consecutive hours, starting from the time the tournament begins.

106.3(8) At the conclusion of each tournament, the person conducting the tournament shall announce the gross receipts received; the total amount of money withheld for expenses; the total amount to be dedicated for educational, civic, public, charitable, patriotic, or religious uses; and the amount withheld for state taxes.

106.3(9) A tournament held under an annual game night license shall not count toward the licensee's limit of one card game tournament per week.

106.3(10) The licensee shall limit the number of participants to the occupancy limit of the premises.

106.3(11) Participation in tournaments shall be limited to the qualified organization's members and guests as required in 2007 Iowa Acts, Senate File 414, section 1. Participants shall be at least 21 years of age.

481—106.4(99B) Required postings.

106.4(1) The veterans card game tournament license shall be prominently displayed in the playing area during tournaments.

106.4(2) Tournament rules shall be posted on a sign in the the tournament playing area before the tournament begins. The sign shall be at least 30 inches by 30 inches, and the rules shall be easily readable. The sign shall include the following:

- a. In permanent letters 3 inches high, the words "Tournament Rules";
- b. Card games and the rules of each card game;
- c. Participation fees;
- d. Prize(s) for each card game and tournament;
- e. How winners will be determined; and
- f. Any other tournament rules.

481—106.5(99B) Prizes and cost to participate. Cash or merchandise prizes may be awarded for each card game tournament. A licensee shall distribute the prizes awarded on the day the prizes are won. Merchandise prizes shall not be repurchased by the licensee. Only prizes that can be won shall be displayed in the tournament playing area. Pets as defined in Iowa Code section 717E.1 are prohibited as prizes for card game tournaments. The amount of the prize(s) and the participation fee are dependent upon the number of guests each member of the licensee is allowed.

106.5(1) Tournaments with members and one guest per member. Tournaments that allow members of the qualified organization and only one guest per member are restricted to the following:

- a. The cost to participate shall be no more than \$100 for each participant, with each participant paying the same amount;
- b. Total prizes of cash and merchandise shall be no more than \$1000; and
- c. A single participant shall win no more than \$500 during the tournament.

106.5(2) Tournaments with members and unlimited number of guests. Tournaments that allow members of the qualified organization and an unlimited number of guests per member are restricted to the following:

a. The cost to participate shall be no more than \$25 for each participant, with each participant paying the same amount;

b. Total prizes of cash and merchandise shall be no more than \$300; and

c. A single participant shall win no more than \$200 during the tournament.

481—106.6(99B) Restrictions. The person conducting the card game tournament shall:

106.6(1) Hold only one license under this chapter and 2007 Iowa Acts, Senate File 414, section 1.

106.6(2) Have no ownership interest in another person who has been issued a card game tournament license.

106.6(3) Have, directly or indirectly, an interest in the ownership or profits of another person who has been issued a card game tournament license to conduct games under this chapter and 2007 Iowa Acts, Senate File 414, section 1.

481—106.7(99B) Qualified expenses limitation. The licensee may withhold no more than 5 percent of the gross receipts from each tournament for qualified expenses.

106.7(1) Qualified expenses include but are not limited to the purchase of supplies and materials used in conducting card games.

106.7(2) Any money collected for expenses and any interest earned and not used by the end of the calendar year shall be donated for educational, civic, public, charitable, patriotic, or religious uses.

106.7(3) The licensee shall attach to the fourth quarterly report of the calendar year a receipt for any donation made and an explanation of how the donation will be used.

481—106.8(99B) Records. The licensee shall keep a journal of the following for each tournament: date of the tournament, amount of gross receipts, amount given out as prizes, expenses, amount collected for taxes, and the amount collected as revenue.

106.8(1) Tournament records shall be maintained separately from all other records and shall be kept current.

106.8(2) A record of prizes awarded for each tournament shall contain the following information:

a. Date of the tournament;

b. Number of people who played, including a breakdown by members and guests;

c. Name and description of each card game played;

d. Name, address, and social security number of each winner;

e. Type of each prize (i.e., merchandise or cash) and the value of each prize.

106.8(3) Records shall be maintained by the licensee for three years for review by the department.

106.8(4) The licensee shall certify that the receipts of all tournaments, less reasonable expenses, charges, fees, taxes, and deductions, will either be distributed as prizes to participants or will be dedicated and distributed to educational, civic, public, charitable, patriotic, or religious uses.

106.8(5) Records of expenses and dedicated and distributed money are required. A book may be maintained which contains both, provided that expense information is separate and distinct from information about dedicated and distributed money. Each subject shall be in a clearly labeled section.

a. The name, address, date, purpose and amount dedicated to another person or organization shall be available for review.

b. If dedicated funds are used by the licensee, the date, purpose and amount must be recorded.

c. Receipts used for expenses shall be recorded. The record must show:

(1) The date;

(2) The amount;

(3) The purpose; and

(4) To whom paid.

d. Invoices or bills for expenses must be maintained. Advertising copy and invoices must be retained for verification.

106.8(6) A compensation record for each member who is compensated for work at a tournament shall be maintained. Each record must show:

a. The name, address, and social security number of the member;

b. Dates of employment;

c. Times and number of hours worked;

d. Wages paid;

e. Amounts withheld;

f. Check number; and

g. Description of work completed.

In addition, the record must specifically identify for which card game tournament a member was compensated. Compensation is anything of value given to a member in exchange for services rendered in connection with a tournament. Compensation to members for services rendered shall be reasonable for the amount of time worked and the work completed. To determine reasonableness, the department shall use the minimum wage and the Iowa wage

data of the U.S. Department of Labor, Bureau of Labor Statistics. Compensation records shall be maintained by the licensee for three years for review by the department.

481—106.9(99B) State and local option sales tax. Gross receipts from tournaments are subject to state and local option sales tax.

106.9(1) Each licensee shall withhold sales tax from gross receipts. The sales tax shall be sent to the department of revenue, along with a copy of the quarterly report as required by the department. The tax and sales tax returns shall be sent to the department of revenue as required by the department of revenue.

106.9(2) Tax information may be obtained from the Department of Revenue, Hoover State Office Building, Des Moines, Iowa 50319; 1-800-367-3388; www.state.ia.us/tax.

481—106.10(99B) Inspections. A representative of the department or law enforcement shall be admitted immediately upon request to the licensee's premises, with or without notice. All records, bank records, deposits, receipts, quarterly reports, cash control documents, expense records, and other documents pertaining to card game tournaments shall be made available to the department or any law enforcement officer when requested. The licensee shall provide to any department representative or law enforcement officer any assistance requested in completing an inspection of records.

481—106.11(99B) Quarterly reports. Licensees must file quarterly reports with the department.

106.11(1) Quarterly reports are submitted on a calendar-quarter basis.

- a. The first quarter is January 1 to March 31;
- b. The second quarter is April 1 to June 30;
- c. The third quarter is July 1 to September 30;
- d. The fourth quarter is October 1 to December 31.

106.11(2) Quarterly reports must be completed on the forms determined by the department. Quarterly reports are due 30 calendar days after the end of the quarter. When the due date falls on a Saturday, Sunday or legal holiday, the report is due on the next business day.

106.11(3) The quarterly report form may be obtained by calling the department at (515)281-6848 or printed from: <http://www.dia.iowa.gov/page10.html>.

481—106.12(99B) Penalties. The department may deny, suspend, or revoke a license if the department finds that an applicant, licensee, or an agent of the licensee violated or permitted a violation of a provision of this chapter or a departmental rule adopted pursuant to Iowa Code chapter 17A.

106.12(1) Failure to file a timely quarterly report may result in suspension or revocation of a license for a period of no longer than 30 days per violation. Each untimely report is one violation. Each month the report is not filed constitutes a violation. The suspension or revocation shall continue until the report is filed, but not longer than one year.

106.12(2) A person under 21 years of age who participates in a card game tournament in violation of this chapter and 2007 Iowa Acts, Senate File 414, section 1(2)“c,” is deemed to violate the legal age for gambling wagering provisions under Iowa Code section 725.19, subsection 1.

106.12(3) The department shall revoke, for a period of one year, the license of a licensee if the licensee knowingly permits a person under the age of 21 years to participate in a card game tournament.

481—106.13(99B) Revocation, suspension, or denial of license.

106.13(1) The department may revoke, suspend, or deny a license issued pursuant to Iowa Code section 99B.8 as amended by 2007 Iowa Acts, Senate File 414, for cause following 30 days’ written notice delivered via certified mail, return receipt requested, or personal service and an opportunity for hearing.

106.13(2) If the licensee or applicant has not requested a hearing within the prescribed time period, the department may affirm, modify or set aside the department’s proposed action in the department’s final written decision.

106.13(3) If the licensee or applicant requests a hearing, the hearing shall be held in accordance with procedures in 481—Chapter 10.

106.13(4) The department may suspend a license prior to a hearing if the director determines the public integrity of the licensed activity is compromised or there is a risk to public health, safety, or welfare.

106.13(5) The department may rescind the notice of revocation, suspension, or denial at any point prior to hearing when the department becomes satisfied that the reasons for revocation, suspension, or denial have been or will be removed.

106.13(6) The department shall send certified mail, return receipt requested, or serve personally upon the applicant or licensee a copy of the department’s final decision.

106.13(7) If the department finds cause for denial of a license, the applicant shall not reapply for the veterans card game tournament license for two years.

106.13(8) If the department finds cause for revocation or suspension, the department shall suspend or revoke the license for a period not to exceed two years.

106.13(9) A license remains effective until a final decision is issued.

106.13(10) No license will be issued when a new application is denied.

These rules are intended to implement Iowa Code sections 99B.2, 99B.14, 99B.16, 422.16 and 717E.2 and 2007 Iowa Acts, Senate File 414.

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